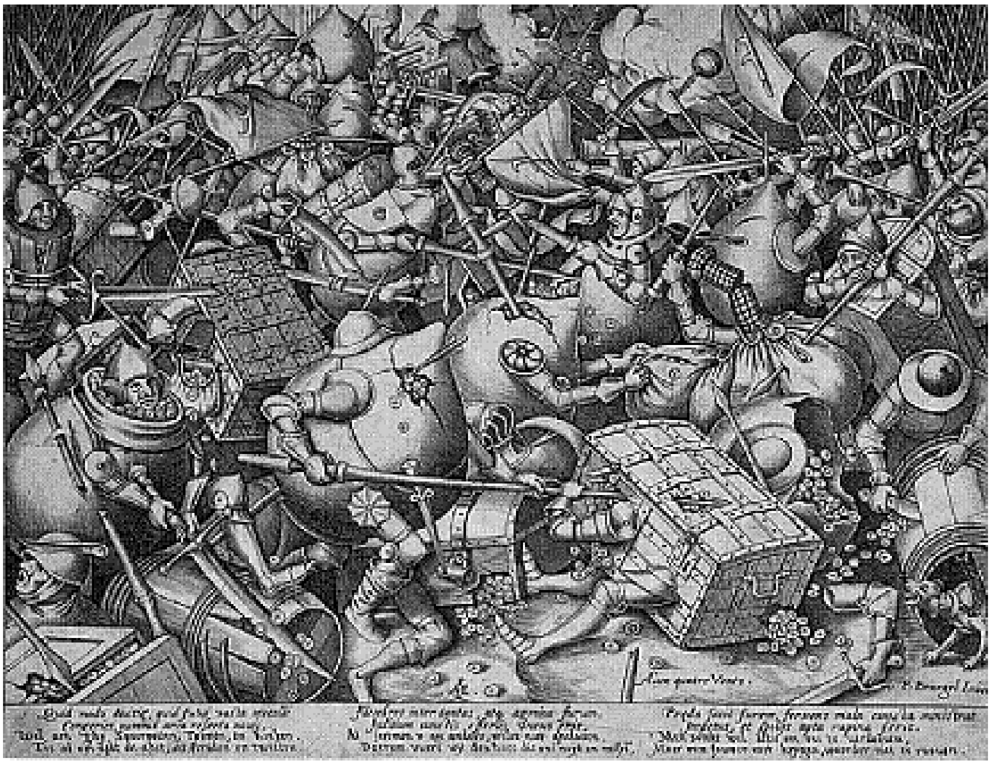

Tendency of the Rate of Profit to Fall

Capital Volume 3, Part 3, The Law of the Tendency of the Rate of Profit to Fall

The most well-known insight of Capital Volume 3 is the Law of the Tendency of the Rate of Profit to Fall, often abbreviated to "TRPF".

Chapter 13 (attached) describes the Law very directly and simply.

The TRPF is not a mystical law. The TPRF is in the first place a consequence of the simple fact that surplus value extracted from wage-workers is the only source of increase of capital, and profit is surplus value less the capitalists' other costs, (where

these other costs are what Marx calls “constant capital”, and where wages are “variable capital”).

The tendency for the amount of labour-power used to become less over time, as compared to the “constant capital” used, is what causes the TRPF - the tendency of the rate of profit to fall.

The constant capital includes technology, and the cost of technological inputs rises in relation to the amount of labour applied, when more scientific methods are used (often described as labour-saving methods).

This produces an apparent paradox: When productivity of labour rises, profits fall. The more “capital-intensive” is a business, the less profit is made in proportion to the amount of money invested.

Does this mean that capitalism is going to fade away? Does it mean that there is an entropy in play for capitalism, like the winding-down of the solar system? So that profits will eventually reduce almost to zero, and the capitalist relationship therefore become unsustainable and cease to exist?

Perhaps Kautsky might have thought so, but there are “counteracting influences”, some of which Marx describes in the following **Chapter 14 of Capital Volume 3**. Wikipedia (**here**) lists Marx’s “counteracting influences” as follows:

- more intense exploitation of labour (raising the rate of exploitation)

- reduction of wages below the value of labour power
- cheapening the elements of constant capital by various means
- the growth and utilization of a relative surplus population (the reserve army of labour)
- foreign trade reducing the cost of industrial inputs and consumer goods
- the increase in share capital which devolves part of the costs of using capital on others.

Do the “counteracting influences” balance out the TRPF and produce a capitalist equilibrium?

No, not exactly. Instead, what we actually have is a very dynamic, unstable, and finally political, living world. We have constant crises, contradictions, and conflict. “Creative destruction” is part of this picture, whereby for example the vast destruction caused by war, and the huge reconstruction effort that must follow, may permit the capitalist system to “reset” to a degree. Some economists believe this to be the case. Marx did not say so. But clearly, ideas of this kind are related to the TRPF and the threat of entropy that it holds.

“Marxism” is for many purposes practiced as a hidden science in capitalist society. For example, the business pages of newspapers seldom relate what is happening in businesses from day to day, to theories of surplus value. Marx gets a nod now and again, but mostly he is ignored.

But it is not the case that in the world of economic theory, Marx is never consulted by bourgeois economists. The terrain on which the parlay happens is here, in Capital Volume 3. The TRPF and its countervailing tendencies are familiar to bourgeois economists. They have their own variations on the problematisation of the TRPF, or its equivalent as they see it, such as what they call “the law of diminishing returns”.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 13, The Law As Such.**

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